United Nations E/2010/SR.5

Economic and Social Council

Provisional
24 June 2010

Original: English

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 15th meeting
Held at Headquarters, New York, on Thursday, 18 March 2010, at 3 p.m.

President: Mr. Hamidon Ali ..... (Malaysia)

Contents

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (*continued*)

Thematic debate of the whole on Theme 1: "Mobilizing domestic and international resources to fund existing and emerging Millennium Development Goal implementation gaps"

(a) *Preview of the joint World Bank/International Monetary Fund publication,* Global Monitoring Report 2010: "Achieving the Millennium Development Goals in the Aftermath of the Global Economic Crisis", *by Mr. Jeffrey Lewis, Senior Advisor and Head, International Policy and Partnership Group, Poverty Reduction and Economic Management Network, World Bank*

(b) *Preview of the* Millennium Development Gap Task Force Report 2010, *by Mr. Robert Vos, Director, Development Policy Analysis Division, Department of Economic and Social Affairs*

Informal interactive dialogue

Corrections to this record should be submitted in one of the working languages. They should be set forth in a memorandum and also incorporated in a copy of the record. They should be sent *within one week of the date of this document* to the Chief, Official Records Editing Section, room DC2-750, 2 United Nations Plaza.

10-27779 (E)

Please recycle

The meeting was called to order at 3.05 p.m.

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (*continued*) (E/2010/11)

Thematic debate of the whole on Theme 1: "Mobilizing domestic and international resources to fund existing and emerging Millennium Development Goal implementation gaps"

(a) *Preview of the joint World Bank/International Monetary Fund publication,* Global Monitoring Report 2010: "Achieving the Millennium Development Goals in the Aftermath of the Global Economic Crisis", *by Mr. Jeffrey Lewis, Senior Advisor and Head, International Policy and Partnership Group, Poverty Reduction and Economic Management Network, World Bank*

1. **Mr. Lewis** (International Policy and Partnership Group, Poverty Reduction and Economic Management Network, World Bank) said that the Global Monitoring Report for 2010 would be finalized following the conclusion of the spring meetings of the World Bank and the International Monetary Fund (IMF), to be held in Washington, D.C., on 24 and 25 April 2010. The 2010 Report contained four chapters that recurred annually and two new chapters, one devoted to lessons learned from past crises and the outlook for the Millennium Development Goals (MDGs), and one devoted to adapting reforms and spending strategies to the less favourable current conditions.

2. The 2010 Report broadly concluded that while the impact of the economic crisis on development indicators in low-income countries was serious, it could have been more so. The policy reforms and structural changes implemented by many developing countries in response to previous economic crises had left them better able to withstand recent events, which, it should be remembered, had been caused not by failures in their domestic policies but by external factors beyond their control. However, in the longer term, the fiscal position, health, education and poverty indicators and human capital situation of those countries were likely to suffer and the still-fragile structural reforms responsible for their relative resilience in the face of the recession could be threatened. Accordingly, there was no room for complacency; all actors must remain committed to action and an adequate flow of resources must be maintained.

3. The Report raised the question of whether the MDG gains prior to the crisis could be preserved. All six regions of the Bank's classification whether measured overall or country by country, had made progress in reducing poverty and improving access to water and to primary education. However, the Goals relating to human development, including in the areas of child and maternal mortality, hunger and nutrition, HIV/AIDS, sanitation and post-primary education, had seen the least progress and were at the highest risk from the global economic crisis.

4. As indicated in the Report, the economic recovery in emerging markets and developing countries had been stronger than expected; a return to pre-crisis levels of output had been nearly achieved. Stock markets had recovered and exchange-rate fluctuations had decreased, but the situation remained volatile. Remittances might increase once more in 2010, but inflows of foreign resources, international development bank financing and foreign direct investment (FDI) remained weak. The Group of Twenty in particular was focusing on the question of when economic stimulus measures could be halted; all countries should pursue sustainability and donors should help countries facing financial constraints by acting on their commitments to increase aid.

5. Examining the lessons learned from past crises for the handling of the current one, the Report indicated that economic downturns had lasting effects on infant mortality, nutrition and school enrolment with girls being more vulnerable than boys. The damage caused by a downturn and the improvement that occurred during an upturn were proportionate to each other: there was no no-cost recovery. Maintaining social sector spending in developing countries influenced their ability to advance the MDGs. African countries in particular seemed to have been better protected from a decline in such spending by the framework provided by their poverty reduction strategy papers. Social safety nets — non-contributory benefit programmes aimed at the most vulnerable — played a critical role in maintaining the momentum of the MDGs. The best course of action was to have those policies in place before a crisis emerged. In fact, many low-income countries had been spurred to establish such arrangements two years previously, during the crisis caused by escalating food prices, and had

consequently been better prepared for the current recession.

6. A striking feature of the economic crisis had been the decline in trade and aid flows to poor countries, which had dropped by over 20 per cent in volume and over 30 per cent in value. Credit for trade diminished during crises because there was less demand for goods and lenders became more risk-averse. The Group of Twenty Summit held in London in April 2009 had aimed to restore liquidity to commerce. However, an obstacle remained in the form of increased protectionism; over 350 restrictive measures had been introduced. The crisis had underlined the importance of trade rules, and therefore the urgency of concluding the Doha Round of trade negotiations. Cross-border matters that were not on the Doha development policy agenda, including climate change and food and energy security, should also be addressed.

7. The global review of Aid for Trade, held in Geneva in July 2009, had shown an increase in trade lending. Despite expansion of the number of donors and the volume of capacity-building and South-South knowledge transfer, progress must be closely monitored as such measures were essential to the recovery of low-income countries. In the case of Africa, the commitment to double official development assistance (ODA) by 2010, made at the 2005 Gleneagles Summit of the Group of Eight, had not been reflected in policy for the region; the volume of programmable, regular and predictable aid had decreased.

8. The scale of the international financial institutions' response to the crisis had been substantial, and IMF had mobilized resources to control its effects. The multilateral development banks, including the World Bank Group, had also increased their activities considerably. However, these institutions' resources had been strained, and care should be taken to ensure that the Bank's role was confined to development promotion and emergency intervention.

9. Looking forward, some thought had been given to possible topics for the 2011 Global Monitoring Report. Possible focuses of attention were poverty; communicable diseases, including malaria and HIV/AIDS; aid effectiveness; and moving beyond the MDGs.

(b) Preview of the Millennium Development Gap Task Force Report 2010, *by Mr. Robert Vos, Director, Development Policy Analysis Division, Department of Economic and Social Affairs*

10. **Mr. Vos** (Director, Development Policy Analysis Division, Department of Economic and Social Affairs) said that the 2010 report of the MDG Gap Task Force would be released immediately before the September 2010 high-level plenary meeting of the General Assembly on the Millennium Development Goals (the "MDG Summit"). The Secretary-General had established the Task Force in 2007 in order to bridge information and knowledge gaps in international partnerships. It consisted of more than 20 agencies, including the United Nations Department of Economic and Social Affairs, the United Nations Development Fund, the World Bank, IMF, the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organization (WTO).

11. In connection with Goal 8 (developing a global partnership for development), the Task Force focused on gaps in delivery (the gap between global commitments and delivery thereon); coverage (the gap between the delivery of aid and the adequate and equitable distribution thereof); and needs (the gap between the aid delivered and developing countries' estimated needs). It monitored progress towards Goal 8 on the basis of the MDG Matrix of Global Commitments, additional indicators to compensate for the difficulty in measuring achievement in some areas of the Goals, and country case studies.

12. In theory, Goal 8 should be the least challenging of all the MDGs. However, progress towards it must be assessed as 2010 was a critical juncture: the target MDG completion date was only 5 years away, the Gleneagles ODA commitments made by the Group of Eight in 2005 were due to expire and the effects of multiple crises were still evident. The Report addressed 5 key issues for achieving Goal 8: increasing aid, increasing trade, improving access to affordable essential medicines and spreading the benefits of new technologies.

13. The United Nations Department of Economic and Social Affairs and the OECD Development Assistance Committee had calculated that ODA for 2010 would fall approximately US$ 27 billion short of the Gleneagles commitments. Very little of that gap had been caused by lower economic growth resulting from

the global economic crisis; most had been caused by failure to meet the commitments made at the Gleneagles Summit. Data indicated that at best, ODA for the current year would reach 0.33 per cent of the gross national income (GNI) of the countries represented in the Development Assistance Committee, far below the 2015 target of 0.7 per cent. The situation for the least developed countries was particularly serious when measured against the ODA commitments contained in the Brussels Programme of Action for the Least Developed Countries. Faced with pressure to achieve more with scarcer resources, donors and recipients should improve the quality and effectiveness of aid, taking into account the Agenda for Action of the High-Level Forum on Aid Effectiveness, held in Accra in September 2008. Efforts should be made to reduce the tying of aid, make it less fragmented and improve its predictability.

14. The global economic crisis had seriously affected developing countries' access to developed country markets at a time when volatile and declining commodity prices were affecting their income. Progress towards the target of providing duty-free and quota-free access for at least 97 per cent of products originating from least developed countries by 2008 or no later than the start of the implementation period, set in December 2005 at the Sixth Ministerial Conference of WTO, had slowed considerably and the gap between the current situation and the target remained wide. Moreover, the relative advantage in duty-free market access for least developed country exports over those of the developing countries was less than 1 per cent. Developed countries had made only modest tariff reductions in recent years; the preferential tariffs on agricultural products, textiles and clothing remained high and had hardly decreased over the past decade. Developed countries' agricultural subsidies remained high. Aid for Trade, however, had increased by 34 per cent in real terms between 2007 and 2008.

15. The enhanced Heavily Indebted Poor Countries (HIPC) debt initiative had provided significant debt relief. However, the economic crisis had increased debt distress, leaving half of the HIPC recipients in a vulnerable position and increasing their risk of relapsing into debt. Moreover, the initiative's focus on the poorest countries left middle-income countries in a very difficult situation. Effort must be focused on developing a comprehensive approach to debt relief, assessing debt sustainability and identifying debt distress.

16. Wide gaps remained in the area of access to medicines and technology. In the case of medicines, many developing countries faced problems with availability and affordability. The 2010 Report would place special emphasis on the effects of the economic crisis on medicine prices and funding for HIV/AIDS programmes. The obstacles to access to essential drugs should be addressed in a comprehensive manner.

17. The worldwide use of information and communication technology had increased in spite of the economic downturn, with mobile telephony expansion very strong in the developing countries. However, there was a wide gap in internet access between developed and developing countries, particularly because of the enormous cost differential when viewed in terms of purchasing power parity. It should be remembered that lack of access to technologies for addressing climate change issues affected progress towards Goal 8 and Goal 7 (ensuring environmental sustainability).

Information interactive dialogue

18. **Mr. Follain** (France) said that in the wake of the financial crisis, progress towards the MDGs would require close cooperation among all stakeholders, and the United Nations had a crucial role to play. The focus on combining sustainable economic growth with social protection, should be maintained; in that regard, he stressed the importance of the Monterrey Consensus. While mobilization of national resources for development remained a priority, international assistance, which should include innovative financing mechanisms, continued to be indispensable. The international community also needed to address the issue of good governance.

19. **Mr. Wittig** (Germany) said that his country had been a reliable partner in the global effort to mobilize resources for development. It remained committed to meeting the ODA target of 0.7 per cent of GNI by 2015 through a combination of budget funds, debt relief and innovative finance mechanisms such as Debt2Health and emissions trading. Mobilizing domestic financial resources for development, which was the first "leading action" of the Monterrey Consensus, required developing countries to promote good governance through administrative and judicial reform,

anti-corruption efforts, strengthening of tax systems, transparency in extractive industries and strengthening of civil society. Good governance should also be promoted in the private sector, whose potential to contribute to development, including pro-poor and green development, needed to be fully exploited. Continuing exchanges between the Bretton Woods institutions and the United Nations development system were crucial to the success of the financing-for-development follow-up process.

20. **Mr. Dib** (Executive Director, World Bank) said that he represented Algeria and six other African and Asian countries on the Executive Board of the World Bank. The Bank had been forced to play the role of lender of last resort for countries confronting the decline in development assistance brought on by the economic crisis, which made it all the more urgent to strengthen the financial bases of the Bank and the other international financial institutions. He doubted that there would be any major changes in the way developed countries delivered development assistance; although there was much talk about innovative financing, action in that area had been piecemeal. A more systematic approach to all aspects of financial assistance was needed; it would be particularly instructive to determine why remittances had been less affected by the financial crisis than other flows.

21. **Mr. Cancela** (Uruguay) said the coming year would offer a unique opportunity to address obstacles to achievement of the MDGs. It was crucial for resources to be predictable, for commitment to be collective and for follow-up mechanisms to be effective. The crises had underscored the structural problems brought on by the absence of an equitable multilateral trading system, obstacles to market access and the need to combine development with environmental sustainability. In order to fulfil its function as an engine of development, the international trading system needed to be fair, open and rules-based. The resurgence of protectionism threatened development everywhere; market access, diversification and broadening of trade relations were essential to the economies of countries like his own, which, despite being classified as a middle-income country, still counted on the commitment of the international community to an international system that fostered development.

22. **Mr. Korneev** (Russian Federation) said that the goal of fulfilling the Organization's potential as the leading forum in which to address development and global efforts to counter the recession required consolidation of the Council's role and closer cooperation with the international financial and trade institutions, particularly in the context of follow-up to the International Conference on Financing for Development, held in Monterrey in 2002, and the Doha Development Agenda.

23. As a reliable development partner aware of the need to provide adequate financing for the MDGs, the Russian Federation was revitalizing its aid programme. International development policy should learn the lessons of the recession, adapt to current circumstances and draw on the Organization's many years of experience. Modernization of World Bank and IMF financing mechanisms for developing countries was a positive step; the poorest countries' access to those facilities should be widened on the basis of careful consideration of their debt positions and the bank should be encouraged to innovate in its provision of assistance to countries suffering the effects of the recession by offering loans in local currency, helping developing countries cope with risks by hedging or spreading them, and improving credit conditions by providing guarantees.

24. The experience of the Russian Federation, especially in 1997 and 1998, had shown currency restrictions to be of little use in a recession as they could not slow the outflow of investments and encouraged the growth of shadow markets. Additional barriers distorted capital movements and ultimately impeded the mobilization of resources for development. The remedy was to establish global regulators in order to ensure transparency in investment flows and safeguard the interests of investors.

25. **Ms. Navarro** (Observer for Cuba) said that she strongly disagreed with the view, expressed in the presentation by the representative of the Department of Economic and Social Affairs, that Goal 8 was the least challenging of the MDGs. The Secretary-General's report entitled "Keeping the promise: a forward-looking review to promote an agreed action agenda to achieve the Millennium Development Goals by 2015" (A/64/665) stated that "the need to accelerate delivery on Millennium Development Goal 8 commitments had reached emergency proportions, rather than simply being a matter of urgency". She also took issue with the reference, in Goal 8, Target 13 of the Goals, to

"countries committed to poverty reduction", which could open up endless debate about which countries did or did not qualify for ODA. Some reports claimed triumphantly that the crisis was over but in fact, the modest recovery seen in some European countries might be attributable to the short-term effect of temporary stimulus packages while the system as a whole continued to be dependent on the speculative bubbles that had precipitated the crisis. Countries could not climb out of poverty through the mobilization of domestic resources alone, and existing international financing mechanisms kept poor countries trapped in a cycle of dependency. It had become clear that the extreme trade liberalization being pushed by neo-liberals was in reality a formula for the unilateral removal of market protections for countries of the South without requiring corresponding steps by the countries of the North.

26. **Mr. Barton** (United States of America) asked the experts to expand on the issue of asymmetry in the impacts of the crisis. It would be interesting to hear which negative impacts had been most damaging, which positive impacts, such as the large increase in bank lending for safety nets, had been the most beneficial, and why MDG delivery gaps were up to twice as large in Africa as on the rest of the world. Limiting the analysis to ODA did not tell the whole story, which included gap-fillers such as private contributions, remittances and technology.

27. **Mr. Braga** (Acting Vice President and Corporate Secretary, World Bank) said that the asymmetry of the impacts of the crisis was indeed striking. In assessing the recovery, the question was not whether the glass was half full or half empty, but who had drunk half the glass and who would pay for it. Collaboration and mutual accountability were indispensable if the international community was to deliver on the MDGs. It was important to continue monitoring ODA pledges and other commitments, such as the Gleneagles Plan of Action on climate change, clean energy and sustainable development, and to improve domestic resource mobilization and governance. One notable success in delivering on the Monterrey Consensus had been the fact that the recent crisis, unlike those of the past, had not resulted in major sovereign debt problems for the lowest-income countries, a fact that could be attributed to the success of the Heavily Indebted Poor Countries (HIPC) debt initiative.

28. **Mr. Acharya** (Observer for Nepal), speaking on behalf of the Group of Least Developed Countries, said that progress towards many of the Goals was lagging behind targets; of particular concern were the areas of hunger, maternal mortality, tuberculosis and malaria. Recent years had seen increased mobilization of domestic resources by the least developed countries, but there continued to be an enormous gap between the available resources and the challenges faced. While maintaining a domestic environment conducive to development was crucial, revenues from exports, tourism and remittances were volatile and achievement of the MDGs would not be possible without scaling up international assistance. The need to provide a social safety net often conflicted with international demands for structural fiscal reform; he shared the scepticism of the Cuban delegation regarding the statement that Goal 8 should be the least challenging of the MDGs.

29. **Ms. Ortiz de Urbina** (Observer for Spain), speaking on behalf of the European Union, reiterated the importance of good governance to the mobilization of domestic resources. In particular, much could be done in the fight against tax evasion, although it would take time to see results. The European Union was committed to meeting its ODA commitments. With regard to gaps in delivery of Goal 8 of the MDGs, he wished to hear more about how studies could incorporate the impact of new actors, in particular the emerging economies that were playing such an important new role in ODA and in South-South cooperation.

30. **Mr. Alyemany** (Observer for Yemen), speaking on behalf of the Group of 77 and China, stressed that delivery on the MDGs was tied to contributions. It was essential for the international community to provide more permanent, stable, predictable, concessional, and conditionality-free financial resources for developing countries. In particular, IMF balance-of-payment loans should not come attached to a policy conditionality that was contradictory and pro-cyclical. Voluntary bilateral contributions were also particularly important to poor and post-conflict countries.

31. **Mr. Gálvez** (Chile), speaking on behalf of the Rio Group, stressed the need for domestic policies aimed at sustainable production and employment and social investment. Space for counter-cyclical policies, which had helped some countries mitigate the effects of the crisis, was needed. The Group was concerned that the resurgence of protectionism, particularly in the

agricultural sector, might hamper the ability of trade and investment to act as engines of development and called for satisfactory completion of the Doha Round. Intra-regional trade was also a useful tool for enhancing efforts to achieve the MDGs. Flows of investment and credit must be made available in a sustained manner; the mobilization of international resources presupposed that international donors would make good on their pledges. The Rio Group stood ready to work with the Secretary-General to convene an informal meeting on innovative sources of development finance in 2010.

32. **Ms. Guerra** (Observer for Colombia), noting that her country would soon host the High-Level Event on South-South Cooperation and Capacity Development, stressed that all countries of the South, regardless of their level of development, could contribute to exploiting the potential of South-South cooperation as a vehicle for progress towards the MDGs.

33. **Ms. Davies** (Australia) said that it was important for international assistance to be targeted effectively through greater predictability, direct contributions to national budgets and sector-wide approaches that reflected national priorities. Her country was scaling up its ODA programme and hoped to achieve a target of 0.5 per cent of gross national income by the year 2015. A successful conclusion to the Doha Round was also essential to achievement of the MDGs.

34. **Mr. Heller** (Observer for Mexico) said that his Government's vigorous efforts had mitigated the effects of the current economic crisis on employment. Although the worst of the crisis appeared to have passed, it was important to resist the temptation to adopt protectionist measures that were politically attractive in the short term but would ultimately undermine the competitiveness and fairness of the global trade system. He called on the negotiating parties to display the political will necessary to a satisfactory conclusion of the Doha Round.

35. While the debt problem should be addressed through cooperation and dialogue, each country should adopt healthy, sustainable debt policies and the solutions found should promote the stability of the financial system as a whole, without hindering access to international financing by countries that had made a major effort to achieve a stable situation.

36. It was important to protect the dignity and the social and labour rights of all migrant workers during the crisis, which had increased their vulnerability, and to facilitate their transfer of remittances to their countries of origins. The fulfilment by donor countries of their ODA pledges and South-South cooperation were important for the achievement of development goals. As host of the sixteenth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, scheduled for December 2010, his Government was committed to achieving a substantive agreement on climate change and was pleased that the Secretary-General had decided to establish a high-level advisory group on climate change financing to assist developing countries with climate change mitigation and adaptation.

37. **Mr. Ovalles-Santos** (Bolivarian Republic of Venezuela) said that the panellists had been excessively optimistic about the financial crisis; its impact continued to be felt by many States in terms of unemployment, fiscal deficits and debt sustainability. His delegation was concerned that responses to the crisis had focused primarily on the financial sector rather than the real economy. With regard to the mobilization of international resources, it was important that sustainable funds should be made available to developing countries without conditionalities.

38. Financial markets, especially speculative markets, must be effectively regulated and further consideration should be given to a possible levy on international speculative financial transactions. While the impact of the financial crisis on ODA had already been discussed, it would be helpful if the representative of the Department of Economic and Social Affairs could provide more information on how it affected other issues relating to progress towards the MDGs.

39. **Mr. Iziraren** (Morocco) said that the economies of developing countries such as Morocco were suffering just as much from the financial crisis as the developed countries, even though it was the latter that had caused the problem through speculative financial practices. Noting that insufficient action had been taken to eliminate such practices, he asked for more information on the latest developments in the international financial market.

40. **Mr. Von Kleist** (Alternate Executive Director, World Bank) said that economic growth was necessary for the mobilization of domestic and international resources for development. The policy requirements for reviving growth were the same in both developing and

developed countries: stability-oriented macroeconomic policy; appropriate regulation, especially of financial markets; open trade regimes; taxation of citizens according to their capacity to pay; reduction of subsidies and social services not targeted to the poor and vulnerable; and room for the private sector to create jobs and income. The international financial institutions had a role to play in helping all countries devise and implement such policies.

41. **Ms. Barendregt** (Senior Advisor, International Monetary Fund), responding to the question raised by the observer for Yemen, speaking on behalf of the Group of 77 and China, said that Fund-supported programmes included conditionalities in order to ensure that the underlying problems which had caused external imbalances were addressed; that often involved a need for medium-term fiscal sustainability. In the recent crisis, IMF had, in fact, been a frontrunner in promoting counter-cyclical policies and had designed its programmes in such a way as to maintain space for social spending and the protection of vulnerable groups. As a result, it had reduced the number and breadth of its conditionalities in order to focus on policy objectives.

42. **Ms. Stewart** (International Labour Organization) recalled that one of the root causes of poverty was a lack of productive employment. Efforts to achieve the MDGs and to respond to the financial crisis had highlighted the need for better coordination between macroeconomic and employment policies. High productive employment should be seen as a macroeconomic objective, as should low inflation, sustainable public finances and strong growth.

43. A number of policy responses, including the establishment of social safety nets, agricultural development, a focus on small and medium enterprises and the measures set out in the Global Jobs Pact, were already known to be effective in enhancing productive employment. It was therefore critical to ensure that all countries, especially the least developed countries and those middle-income countries that lacked policy space, had the capacity and financing to invest in policy initiatives in order to expand their domestic resources through income growth.

44. With regard to Goal 8 of the MDGs, it was interesting to note that the current crisis had resulted in increased policy coherence and partnership within the United Nations system on ways to build and enhance productive employment. The International Labour Organization (ILO) hoped for a continuation of that trend beyond the end of the crisis and stood ready to develop closer partnerships with other organizations along those lines.

45. **Mr. Priyadarshi** (Director, Development Division, World Trade Organization) said that, while much remained to be done in order to conclude the Doha Round and ensure achievement of its development objectives, progress would be made through a number of small steps. WTO would soon be holding a high-level stocktaking exercise on the Doha Round and would be pleased to provide feedback on the Doha Plan of Action. Aid for Trade was also very important; with the Gleneagles commitments due to expire in 2010, new commitments for the next five years were essential. The international community should use the upcoming Group of Twenty meeting and the September 2010 MDG Summit to indicate its steadfast commitment to Aid for Trade.

46. **Ms. Wahab** (Observer for Indonesia) said that mobilizing adequate domestic and international resources was key to achieving the MDGs. Her country's experience had shown that both a culture of saving and well regulated institutions, were important factors for domestic resource mobilization. FDI and ODA remained central to the economic growth of developing countries and their progress towards the MDGs. In order to overcome the challenges of resource mobilization and achieve the Goals, three issues needed particular attention. First, there was a need for coherence between policy choice and development programmes in order to ensure inclusive growth. Second, good governance and the capacity to create an enabling environment at all levels were needed and would require effective and accountable institutions, systems and processes, as well as the necessary political will. Indonesia's efforts to create such an environment had involved implementation of the Jakarta Commitment on Aid for Development Effectiveness, as outlined in the Paris Declaration on Aid Effectiveness. Lastly, partnerships, particularly public-private partnerships, must be strengthened.

47. **Mr. Zainal Abidin** (Malaysia) pointed out that a failure to meet the MDGs by 2015 would have a long-term impact on developing countries which were also facing demographic transition; since fewer children would become productive adults, society would be unable to benefit from the demographic dividend as its

population aged. Malaysia was not in that situation since it should achieve developed country status by 2020 and its population was expected to reach 38-40 million by 2040.

48. Although economic growth was a necessary condition for achievement of the MDGs, the two issues were often considered in isolation from one another. He wondered whether any studies had shown that a minimum overall growth rate was needed in order to achieve all the Goals.

49. **Mr. Shin** Boonam (Republic of Korea) said that although traditional ODA remained the principal source of financing for development, it was important not to overlook the potential of innovative sources of financing, which were more diversified and successful than had initially been expected. His delegation looked forward to being able to share experiences and identify best practices in that area.

50. While private international capital flows were a vital source of development financing, FDI was concentrated in a small number of mainly middle-income countries. Though governments should make every effort to create an enabling environment to attract such investment, he would also like to know what action the international community could take in order to make capital flows more diversified.

51. Economic recovery must be accompanied by job creation. The current trend of jobless growth was worrying; according to ILO estimates, unemployment had risen by 34 million between 2007 and 2009. He wondered what international efforts had been made with a view to improved access to financing for small and medium-sized enterprises.

52. **Ms. Gallardo Hernández** (Observer for El Salvador) said that the Doha Declaration and the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development provided a framework for evaluating the causes and effects of the converging crises. It was vital for countries to seek both collective and individual responses to the various aspects of the crisis. El Salvador was committed to implementing counter-cyclical and social policies that would also help it achieve the MDGs, with particularly high priority given to health and education. Achieving the Goals should help prevent a recurrence of the vicious cycle of unemployment, weak consumption and falling output that were so detrimental to developing countries. Since the crisis also had a social dimension, it was important to reaffirm commitments to gender equality and the empowerment of women.

53. It would be helpful if the panellists could give further consideration to the impact of international migration on domestic resources. Since El Salvador was highly dependent on remittances from abroad, the reduction in remittance flows as a result of the crisis was a major concern in the context of the MDGs. On the issue of international resources, she would also appreciate more information on the efforts that should be made by middle income countries, which had made some progress in development but were particularly affected by the crisis.

54. She reiterated the importance of combating corruption in order to achieve the MDGs, as mentioned by the Secretary-General in his report (A/64/665), and the importance of trade and investment as drivers of development and economic growth. Lastly, her delegation considered that the Council and the United Nations system as a whole would benefit from the President's participation in the 2010 World Bank-IMF spring meetings.

55. **Mr. Leroy** (Belgium) said that traditionally, donors had been criticized for devoting too much ODA to social sectors and neglecting economic sectors. In the past two years, there had been a shift by many donors towards economic sectors, particularly infrastructure and agriculture. In view of the importance of social spending, he wondered whether donors should reconsider that change of focus and enter into dialogue with their partner countries regarding the most effective allocation of domestic and international resources. There sometimes had to be a trade-off between long-term economic growth and the immediate social needs of the poorest population segments.

56. **Mr. Murakami** (Japan) said that he would welcome more information on the "needs gap", which he understood to mean the gap between input and output. That concept was critical to preparations for the MDG Summit since it was important to understand why the huge amount of resources channelled into achieving the Goals had not always yielded the desired results. While the ODA target of 0.7 per cent of GNI was important, lifting people out of poverty was more so; particularly as the Summit was probably the last chance to achieve the Goals by 2015.

57. **Ms. Hanfstaengl** (Observer for the Jubilee Campaign) said that in a recent global survey on the impact of the environmental, food and economic crises on civil society organizations, most of the respondents had reported budget decreases in 2009 that threatened to compromise their ability to deliver social services. Since, according to the respondents, most government actions to deal with the global crises had not sufficiently addressed their social consequences, civil society organizations were, moreover, faced with an increased demand for their services. While she welcomed the news that most donor governments remained committed to achieving the ODA target of 0.7 per cent of GNI by 2015, there was a danger that if GNI fell, aid budgets would be reduced in absolute terms. Furthermore, according to the OECD Development Assistance Committee, it was anticipated that some major donors would not meet their aid commitments.

58. Civil society organizations welcomed the ILO Global Jobs Pact initiative and the United Nations proposal for a social protection floor, which could help protect vulnerable people as part of a system-wide approach. The way to ensure sufficient counter-cyclical financial support for such initiatives and for civil society organization programmes during and after crises was, however, as yet unclear. A financial transaction levy for development, imposed by national governments and applicable to all types of financial assets, was the most promising option. It was estimated that a tax rate of 0.1 per cent would yield US$ 735 billion globally and US$ 321 billion in Europe alone. Even a very small levy of 0.005 per cent, as discussed by Governments in the Leading Group on Innovative Financing for Development, could generate US$ 30 to US$ 35 billion in additional resources for development.

59. Civil society organizations also welcomed the emerging consensus on the huge cost to development of illicit capital flows, capital flight and tax evasion, including the mispricing of intra-group transactions, and agreed that the "race to the bottom" on competing tax incentives did not lead to sustainable development. Strengthening international tax cooperation in order to give developing countries a greater voice on such matters had therefore become urgent. While the participants in the International Conference on Financing for Development, held in Doha from 29 November to 2 December 2008, had requested the Council to strengthen institutional arrangements, including the United Nations Committee of Experts on International Cooperation in Tax Matters, that had not yet been done. It was urgent to establish a fair and transparent debt workout mechanism, especially in light of the current crisis.

60. Lastly, the mobilization of stable and predictable funds for achieving the MDGs required a sense of political urgency. While massive resources had been mobilized rapidly in order to rescue financial institutions in the major developed economies, social development challenges had yet to be treated in the same way.

61. **Ms. Baumann** (Observer for the Wisconsin Women's Business Initiative Corporation, accredited through the International Chamber of Commerce) said that the Wisconsin Women's Business Initiative Corporation worked in such areas as microcredit and access to capital; quality business education; and asset base development. Whereas its programmes had often been conducted as independent operations prior to the crisis, they were now completely entwined. The need for the Corporation's services had grown significantly in 2009; that year had also seen an increase in the resources made available for asset building and recovery through a number of programmes, including the Small Business Administration and the Community Development Financial Institutions Fund. It was encouraging to note that for the first time, microcredit was now seen as part of the solution.

62. Women represented the vast majority of microentrepreneurs worldwide. It was therefore important to acknowledge that many women business owners in the developing and developed countries had the capacity to grow larger businesses and create jobs. Many programmes in the United States of America now recognized that segment of women entrepreneurs as a source of significant job creation in the future economy; similar awareness was also starting to build in Latin America.

63. **Mr. Dilekli** (Turkey) said that the volatility of private capital flows into developing countries had a detrimental impact on efforts to achieve the MDGs; the reduction in such flows as a result of the crisis had led, in particular, to increased levels of poverty. In order to reduce that volatility, it was important to increase market confidence. While responsible domestic fiscal policy was crucial in that regard, IMF also needed to

double its lending resources and implement fast and flexible lending mechanisms in order to better respond to financial shocks; the flexible credit line already introduced had proved very useful for some countries. Furthermore, the international financial institutions should take the opportunity to improve the effectiveness of their lending in the context of the MDGs and to correct the underrepresentation of developing countries in their governance structures.

64. But strengthening the international financial institutions was not enough; the international financial system as a whole must be supportive of development. Although developing countries had been involved to a limited extent in efforts to draft new financial regulations, closer involvement was required in order to ensure that the new system did not further increase the cost of financing for developing countries. The Financial Stability Board should be asked to explain the potential impact of the new financial regulations on developing countries and to indicate how those regulations would support real sector activity.

65. **Ms. Nyam-Osor** (Mongolia) said that her Government was grateful for the rapid assistance that it had received from the international financial institutions in order to cope with the global economic and financial crisis. It was confident that the measures that it had put in place, including banking and public finance reforms and more targeted social transfer policies, would yield positive results in 2010.

66. Eradicating extreme poverty was the most challenging of the MDGs for Mongolia. About 35 per cent of its population still lived in poverty, despite the 8 to 10 per cent economic growth that had been achieved during the boom years. Since the country was prone to natural disasters, disaster risk reduction strategies should be mainstreamed into assistance programmes as it moved towards achieving Goal 1 of the MDGs.

67. **Mr. Patriota** (Brazil) said that at the MDG Summit it would be important to gain a clear idea of those Goals on which progress was lagging. His delegation considered Goal 1 to be critical since without eradicating extreme poverty and hunger, it would be difficult to attain the other Goals. Additional information on how the crisis was affecting progress towards the MDGs and on the types of policies that would be supportive would enable appropriate recommendations to be adopted at the Summit, particularly in relation to Goal 1. Employment generation, market access and productive investment were all relevant issues, as was the policy advice given to developing countries; it was fortunate that recent years had seen a change of mindset towards more socially conscious, development-oriented policy advice.

68. **Ms. Dodd** (United Kingdom) said that the current discussion of implementation gaps with regard to Goal 8 of the MDGs was very timely since 2010 was a particularly crucial year for achievement of the Goals. The 2010 annual conference of the United Kingdom Department for International Development had been held on 11 March 2010 on the theme "Agenda 2010: the Turning Point on Poverty". The conference, which focused on the MDGs, had involved contributions from a range of United Nations Member States and bodies. The Chair's summary of that conference, which presented a range of ideas and potential actions on the issues under discussion at the current meeting, would soon be submitted to the Secretary-General and the President of the General Assembly. She hoped that that summary, together with the international assessment being conducted by the United Nations Development Programme (UNDP) in order to establish the necessary course of action for meeting the Goals, would serve as additional resources to aid forthcoming negotiations and that the September 2010 MDG Summit would revitalize the effort to achieve all the Goals.

69. **Mr. Lewis** (International Policy and Partnership Group, Poverty Reduction and Economic Management Network, World Bank) said that three factors helped explain why remittances had remained comparatively unaffected by the economic downturn. The first, supported by documentary evidence, was that half of the world's migrant workers, and therefore half of the remittances, moved between countries of the South. The second, also documented, was that the regions to which workers travelled, including the United States of America, Western Europe, Eastern Europe and the Gulf States, had been affected differently and unequally by the crisis. The third, though less well supported by documentary evidence, was that increasing numbers of migrant workers were returning home permanently. The savings they took with them on their return were likely to be classified as remittances, affecting the total level of such funds. If the Bank's perception of that phenomenon was accurate, any subsequent economic

recovery in the workers' countries of origin would be less substantial.

70. With regard to the representative of the Russian Federation's comments on innovative approaches to development financing, including risk management, the World Bank Group devoted substantial effort to such matters, including by promoting catastrophic risk insurance and the assumption of public-sector risks by the private sector, areas in which minimal resources and substantial creativity could provide great benefit.

71. Concerning the statement by the representative of Cuba, he had not meant to sound triumphant about the degree of recovery from the global economic crisis; he agreed with the many participants who had described the upturn as precarious, particularly as it had been underpinned by financial and fiscal stimulus measures of uncertain duration aimed at stabilizing developed countries' financial markets. Many consequences of the crisis, including the need to create high-quality jobs and to maintain debt at sustainable levels, would take a great deal of time to address.

72. The likely causes of the asymmetric economic effects of the crisis mentioned by the representative of the United States of America, were low income countries' vulnerability to both upward and downward economic swings; their exposure to internal shocks and policy shortcomings; and reversals of past gains, specifically in the MDGs that did not relate directly to poverty reduction. In the case of those Goals, including Goal 4 (reducing child mortality) and Goal 5 (improving maternal health), progress and reversal were not in proportion with each other: falling below a certain level in human-development-related indicators such as nutrition resulted in losses that were difficult or even impossible to remedy.

73. The challenge of balancing the maintenance of structural fiscal reforms with the need to respond to economic shocks was difficult. The Bank was not in favour of simply establishing a fiscal target and insisting on compliance; it believed in strengthening fiscal systems so that countries were better able to strike such a balance. Recalling the view he had expressed earlier regarding continued social spending in the face of the crisis, he said that many countries had improved their planning, monitoring, decision-making and prioritization of objectives through the use of poverty reduction strategy papers, before the economic downturn, thereby reducing their vulnerability.

74. Adding to the response of the representative of IMF regarding conditionalities, he explained that the crisis had not resulted in any increase in the resources for low-income countries that the Bank received from its contributors for each three-year period. It was the constraints of that allocation, rather than the recipients' success or failure in meeting the conditions attached to assistance, that determined the distribution of funds. The only conditionality applied was the minimum requirement that the recipient must make proper use of the funds received.

75. Although economic growth was necessary, it was not sufficient for achievement of the MDGs; it must be accompanied by the means to provide solutions to problems such as inadequate nutrition or education. In reply to the comments of the representative of Belgium regarding the importance that donors attached to social and economic development, he said that the needs and constraints of the recipient country were paramount. The increased emphasis on consultation, collaboration and country ownership of development strategies, particularly the poverty reduction strategy paper, was intended to assist such decisions.

76. **Mr. Vos** (Director, Development Policy Analysis Division, Department of Economic and Social Affairs), responding to the doubts expressed by several participants regarding his description of Goal 8 as the least challenging of the MDGs, said that his intention had been to highlight the minimal resource requirements of Goal 8 as compared to the other Goals; the issue was one of financial magnitude and perspective. In addition, the factors contributing to success in achieving Goal 8 were related to long-standing international commitments in fields such as trade and debt relief, where some objectives had already been met successfully.

77. Addressing the observations made by the Observer for Spain on behalf of the European Union and by the representatives of Belgium and the United States of America, among others, he confirmed that, by taking stock of resource flows and commitments, the Report of the Gap Task Force would set ODA contributions and targets against the broader background of assistance from less traditional sources, including remittances, South-South aid transfers and funds from private non-governmental organizations

(NGOs). It should be remembered, however, that the volume of that assistance remained small and there was still a reverse flow of resources from the South to the North.

78. Referring to the observations made by the representative of Japan regarding the "needs gap", he said that the Gap Task Force Report sought to evaluate the degree to which donors met the requirements identified by developing countries themselves. On the basis of that evaluation, which would be inspired by the Paris Declaration on aid effectiveness and the Accra Agenda for Action, recommendations for improving aid effectiveness could be made.

79. With regard to the relative success of debt relief, he endorsed the conclusions drawn by the Acting Vice-President and Corporate Secretary of the World Bank and emphasized that the achievement of debt sustainability in many low-income countries should not give grounds for complacency. The HIPC initiative focused on external debt, but since many countries had an unsustainable level of total public debt, a broader view was necessary. A framework for tackling the sovereign debt of middle-income countries was also lacking.

80. Responding to the question of the representative of Venezuela regarding assessment of the impact of the crisis on ODA and on achievement of the MDGs, he said that the level of ODA had been measured against the Gleneagles commitments and the target of 0.7 per cent of GNI set by donors. The GNI of those donors had been diminished by the crisis and their aid budgets had diminished accordingly.

81. Successful responses to MDG needs, particularly those focusing on poverty reduction, depended above all on sustained coherence between macroeconomic, economic development, social, employment and other policies. While possible to achieve, that aim required careful tailoring to the situation of each individual country.

The meeting rose at 6.25 p.m.